

# PRESS RELEASE

[July 22, 2011]

Good Morning.

The City of Jasper is continuing to analyze and review the proposed Project to repower the City of Jasper's Power Plant with natural gas and Miscanthus.

I am excited to discuss with you this morning the local economic impact that this proposed Project could have on the City of Jasper and Dubois County.

Bingham Economic Development Advisors evaluated the proposed Project and the direct economic impact of the proposed Project on our local community.

I will be providing each of you with a copy of the report summarizing the analysis by Bingham Economic Development Advisors. This report will also be posted on the City's website so that interested Citizens will be able to review the original report.

One additional point I want to bring to your attention is that this economic analysis does not include the economic impact of the generation of new revenues from the Project to the City's water, natural gas, electric, and wastewater utilities. I previously discussed that the City has ample excess capacity to provide utility services to the proposed Project and that the additional revenue from the sale of utilities for the Project would have a positive impact to the ratepayers.

We have separately commissioned Umbaugh and Associates to provide an analysis on the impact of this Project, and will be providing that information and report at a later date.

## **Investment and New Jobs**

Jasper Clean Energy is proposing to make a capital investment in improvements to real property of approximately \$7 Million, and to make a capital investment in personal property and equipment at the existing Power Plant of approximately \$90 Million. Jasper Clean Energy expects the construction activity at the Project to last about two years, and to create approximately 75 construction jobs during that time

period. Jasper Clean Energy also estimates that the construction wages to be paid during that time period will be approximately \$2.7 Million.

Jasper Clean Energy has estimated that the Project will employ approximately 30 people in the operation of the Facility. Jasper Clean Energy has made a commitment to offer employment to those employees who are still employed at the Power Plant by Jasper Municipal Electric Utility, and expects to hire additional employees in connection with the operation of the Facility. It is estimated that the new direct annual payroll from these 30 positions will be approximately \$1.1 Million annually.

### **Option , Lease and Royalty Payments**

The City would have the right to receive approximately \$300,000 in option payments during the pre-construction period, which would run from the execution of the Lease through approximately September, 2012.

After the start of the Lease, the City would have the right to receive base rent in the amount of \$425,000 annually during the 2-year construction period and during the 20-year initial Lease period. The total value of these rents would be approximately \$11.6 Million. It has also been estimated that the royalty payments during the 20-year term of the Lease would be approximately \$2.8 Million. The total estimated income, including option, lease and royalty payments ,which the City should receive during the Lease would be approximately \$14.5 Million. These amounts would increase if Jasper Clean Energy exercised one or both of its 5-year options to extend the Lease.

### **Property Tax Revenues**

As part of its analysis, Bingham Economic also reviewed the potential property tax revenues that this Project would generate.

Those property tax revenues are based on an estimate of the current value of the Facility of \$3 Million and the additional capital investments to be made by the Project of approximately \$97 Million. It was estimated that the Project could generate approximately \$4 Million in real property taxes, \$13 Million in personal property taxes and slightly over \$500,000 in county income tax.

As most of you are aware, Jasper Clean Energy has indicated that it plans to request property tax abatement from the City and County with respect to this

Project. If this Project becomes a reality and property tax abatement is approved, the property tax revenues would be reduced.

### **Natural Gas Fees**

The primary source of fuel for this Project is natural gas. The City natural gas distribution system will not be able to provide enough natural gas for this Project, and a new natural gas transmission line would have to be constructed at the cost of the Project, and not the City. This could result in additional revenues or cost savings for the Jasper Municipal Gas Department.

### **Fire Protection Contributions**

I previously reported to you that Jasper Clean Energy has agreed to make contributions to the City for the benefit of the Jasper Volunteer Fire Department. This economic analysis has identified that the value of those contributions over the term of the Lease would be slightly more than \$650,000.

### **Value of Project – End of Lease**

Under the proposed Lease, Jasper Clean Energy would have an obligation to return to the City the Facility as a fully operational closed-loop biomass fuel electric generation station. In connection with this economic analysis impact, it has been conservatively estimated that the value of the Facility at the end of the Lease will be \$10 Million.

### **Total Benefit to the Local Community**

In summary, it is estimated that the proposed project by Jasper Clean Energy of converting the existing coal-fired boiler to combust renewable biomass crop and utilization of natural gas and a new steam turbine will result in additional City and County revenues during the life of the Lease in the amount of \$42.77 Million.

This economic analysis report also provides a conservative value of \$20.2 Million. This would be the present value of the Project by discounting the economic value to a present value by 5% because of the fact that these economic benefits would be flowing to the City over an approximately 22-year period of time. Additionally, the Bingham Economic consultants did not use any multipliers to calculate additional induced impacts of the Project, which would be expected if the Project

would proceed. Those additional economic impacts could, for example, utilization of our local hotels and restaurants during the construction, sales of materials by our local retailers, sales of new homes, etc.

As you might expect, in this difficult economic climate, the City appreciates the opportunities this potential Project would provide in continuing to diversify the economic base of the City of Jasper, retain and expand opportunities for employment and increase the investment in the City of Jasper and Dubois County.

### **Coordination Committee**

I also would like to reiterate that the Lease provides for a non-compensated Coordination Committee, which would include 2 members from the City and 2 members of Jasper Clean Energy. This Coordination Committee would be tasked with trying to work out questions or issues that might arise during the term of the Lease between the City and Jasper Clean Energy.

### **Sandia National Laboratories**

Dr. Shaddix is employed by Sandia National Laboratories. Dr. Shaddix does not direct or control the contracts that Sandia National Laboratories enters into. Sandia National Laboratories is a federally funded institution. Sandia does commonly enter into cooperative agreements with private industries, but those arrangements are encouraged by the Federal Government to better make use of taxpayer funds for research to assist in private industry.

As a federally funded institution, it is expected to be neutral with respect to the market place and receive no benefit from the economic success of any individual or private corporation or industry group.

*If you have not received a copy of the report summarizing the analysis by Bingham Economic Development Advisors before you leave, please let me know and I will get a copy to you. As a reminder, this report will also be posted on the City's website.*